Ecological Challenges and State Management. Two Perspectives

INGE PERKO ŠEPAROVIĆ

Faculty of Political Science, University of Zagreb

Summary

The interpretations of the growth that are given by the economy and ecology are completely different. Economists are explaining and analyzing trends in the sense of savings and investment growth. They are moving along the world of industry, finance, national governments and international development agencies. They never mention natural capacity supportable limits as a basis of economic activity, which is the basic notion of ecology. These two opposite viewpoints create global schizophrenia - the loss of contact with reality.

The critical role in the deliverance from schizophrenic behaviour on a national and international level belong to the state. Goals of sustainable development should be fitted in the work of governmental and parliamentary committees that are dealing with national and international politics and planning.

Presuppositions that Croatia has to fulfill, if it wants to establish sustainable development institutions, are: the establishing of democratic society, market economy and raising the awareness of all society members on the importance of environmental protection. Institutionalization of sustainable development does not end at the level of government bodies, but should be continued at non-governmental organizations.

> "*There has been a huge gap between our powerful and extensive scientific knowledge, our technical potentials, ultra modern machines, our communication system on the one hand, and our old-fashioned concept of security, sovereignty, growth and the very future, our obsolete institutions, inherited totems and taboos, our inefficient rituals for the realization of peace, justice, development and democracy*".
> (Aurelio Peccei: "Education towards an awareness of our planet", *Research*, Vol. 1, No. 2, 1984, p. 100)

Those of us who read daily, financial and other press on a regular basis or who listen to economists and politicians speaking, might as well draw the conclusion that the world in which we are living is in a relatively good condition and that long-term economic trends are promising. Indeed, they admit that there are still some problems to be solved - state budget deficits, Third World's debts, disturbing effects of rising energy costs and unemployment, but economists see them as soluble problems - the changing economic indicators: GNP, interest rate, prices of shares are keys to the future.

On the other hand, the environmental situation could hardly be worse. Those who regularly read scientific journals must be deeply concerned about the changes in the Earth's physical circumstances. All major indicators suggest that the natural system is deteriorating: woods are disappearing and deserts are taking their place, there is less and less fertile land, the ozone layer is thinning, gasses responsible for the greenhouse effect and damages caused by acid rains are accumulating, pollution threatens people's health in hundreds of cities - all this is happening at a terrifying pace. These two views are rooted in economics and ecology - two disciplines whose paradigmatic frameworks differ so much that their followers have difficulty communicating with one another.

Economists tend to interpret and analyze trends regarding growth, investments and saving. They see the future more or less as an extrapolation of the recent past. Economists hardly ever suggest tolerability limits of natural resources as the basis of economic activity - ecology's key word. Their view prevails in the world of industry, finance, national governments and international development agencies.

Ecologists interpret growth in terms of an S curve, where each growth is limited by its environment which is finite. Ecologists think in terms of closed cycles: hydrogenic, carbonic, nitrogenous, etc. They can see more clearly the damages to the natural system, i.e. to the ecosystem which are caused by expanding economic activity. Ecological view prevails in most national academies of science, international scientific bodies and environment protection organizations.

These two opposing concepts have led to global schizophrenia - to losing touch with reality.

This schizophrenic perspective turns into intensive political confrontations over the formulation of economic and the overall development policy. The environmental issue has been introduced into the political agenda of the UN and many developed countries. In its report entitled "Our Common Future" the UN Brundtland Environment and Development Committee adopted the policy of sustainable development, which is mandatory for all UN members, their governments, entrepreneurs and citizens.

Without depreciating the importance of this report as the first document which provides the basis for international action, it should be noted that it also contains elements of schizophrenia, which can be seen in its approach to a viable energy policy which accepts nuclear energy as one of the energy sources on condition that a solution to the problem of safe disposal of nuclear waste is found. It was a concession granted to countries with developed nuclear technology (primarily to the USA), which enabled their nuclear power plants to continue operation due to the fact that the deadline for a definite solution to the problem of safe nuclear waste disposal is continuously extended: for the USA this deadline has been extended until 2010. This compromise leads to additional 9500 tons

of exhaust waste every year, which will by the year 2000 amount to 193,000 tons of waste, which is 200 million times more radioactive than fresh fuel.[1] At the same time finding an acceptable solution to the insoluble (unworkable) problem is being postponed.[2]

This schizophrenic element reappears in the policy which highly developed countries apply to countries in transition and the Third World countries. What other explanation can there be for the following statement from the document adopted at 1993 Ministers' Conference in Luzern: "Projections discussed in this report suggest that the production in food industry, wood-processing industry, phosphate and chemical industries, which are all significant sources of water pollution, will grow much faster than that in building materials industry, metal industry and industries which use a lot of electric power. This is why the need for balancing industrial outputs will shift from the area of air pollution to the area of water pollution."[3] The document that is, in the first place, supposed to help countries in transition in the search for "better environment for Europe", in fact suggests the course of development of developed Western countries - more chemical industry in countries in transition, which by no means contributes to creating a better environment, neither in those countries nor in Europe. One of the results of such an attitude is the Basel Convention before its latest changes in 1995. Since 1995 OECD countries, as chief producers of toxic waste have been denied the possibility to export such waste legally. The 1995 amendment refers to banning permanent waste disposal. The amendment will be enforced after it is ratified by 3/4 of signatory countries (over 90 countries). Exports for recycling purposes, which is a pretext in 90% of cases of toxic waste trade, is still an open issue. As of the beginning of 1998 such trade, too, is supposed to be banned.[4] Only then will it be possible to realize the intentions from the opening provisions of the Basel Convention, which are directed to the elimination of toxic waste and the introduction of clean technologies, while other provisions stimulate toxic waste exportation. At any rate, at least two more years remain during which toxic waste exports will still be allowed, with disastrous results for importer countries.

However, even after that, countries in transition will not be protected. The danger of dirty technology transfers still remains.

[1]Peter Bunyard: "Nuclear Power: Way Forward or Cul-de-Sac?", *Ecologist*, 1992, p. 32.

[2]Al Blowers, D.Lowry and B. D. Solomon: *The International Politics of Nuclear Waste*, MacMillan, 1991, p. XVII.

[3]*Program djelovanja u zaštiti okoliša za Srednju i Istočnu Europu - Hrvatska verzija*, 1994, OECD and World Bank, p. 111.

[4]Marcello Furtado: "Basel Ban Here to Stay", *International Toxic Investigator*, No. 8, 1996, p. 7.

The difference in criteria or standards of protection between those applied in developed countries and those tolerated in countries in transition and Third World countries makes, for example, the UNEP project on clean technologies dubious. Namely, regardless of the principles adopted at the 1991 Conference on Environment, Industry and Investment Decisions in Central and Eastern Europe in Budapest (230 participants from 95 companies and 14 industrial associations) - relevance of Western standards for investment decisions in former socialist countries - Western industries, particularly countries bordering on countries in transition, will try to transfer old highly polluting technologies to their regional partners or current Western technologies that display a high level of sophistication in the pollution cover-up by applying the inspection technology at the end of the production line, rather than the prevention technology through a clean technology. The way transnational corporations treat the report made by the UN Center for Transnational Corporations is a straightforward ecological crime. The report shows the following:

- only 3% of companies dispose of toxic waste in responsive companies in developing countries, and the majority of companies export toxic waste;

- less than half of the companies have a policy on air quality in relation to pollution, and less than a third have a policy on reduced emission of gasses contributing to the greenhouse effect;

- more than half of the companies do not apply modern international principles (guidelines) of environmental protection, and many of them are not even aware of the existence of these principles;

- almost a fourth of companies manufacture products containing CFC, more than 20% produce PCB, 29% produce dioxide, the majority emit radioactive waste, and two thirds emit dangerous organic compounds.[5]

These risks are not reduced by the presence of the World Bank as the creditor of many technology transfer investments. Despite the green image which the bank wishes to impose there is a number of examples of investment projects credited by the World Bank by its own standards, which proved to be misdirected investments and which resulted in probably irreversible environment degradation. These examples include the hydroelectric power plant Tucurui in Brazil; ten years of dictated economic policy in Costa Rica instead of making the country solvent - dictates of the IMF and the World Bank led the country to the largest per capita debt in Latin America amounting to 4.4 billion US dollars; Ghana whose debt increased instead of decreasing despite the implementation of the policy dictated from outside: exporting cocoa when the demand increased by 2%, and supply by 6-7% in the world market; under World Bank's supervision Jamaica abandoned the policy of self-reliance and, although being an ex-

[5]United Nations Center on Transitional Corporations: *Benchmark Corporate Environmental Survey* ST/CTC/SER, c/1 and 2, UN, New York, 1991.

ample of efficient adjustment, its debt rose to 4,3 billion US dollars; in India the Sardar Sarovar Dam led to dramatic social and ecological consequences, and in the Sudan the credit granted by the World Bank and the IMF brought the one-time granary of the Middle East to the point at which it was unable to produce enough food for its own needs. Besides, debt servicing rose to 528%.[6]

Although the above examples apply to developing countries, they are also very instructive for countries in transition, which are granted loans by the World Bank and the IMF for structural and sector adjustment programs.

Role of the state

The state has a key role in getting rid of schizophrenic behavior both on national and international level. Transition from the developmental growth model to the model of sustainable development requires many concepts and institutions to change. This was suggested by the Roman Club at its 1995 annual conference, where it was decided to launch a program of international governability, the decision being based on the conviction that today's world is governed by yesterday's institutions. Since countries vary significantly in population, resources, income, governing ability, institutional tradition, each country has to decide for itself which institutional changes need to be made.

In the first place, policies on environment, development, institutions and international cooperation need to be changed: from the policy focussing on effects to the policy and institutions focussing on the causes of pollution. Agencies in developed countries which have achieved results in monitoring and exploring the environment, defining and seeing the problem from a scientific and technical point of view and which have an enhanced public awareness, need to be supported and strengthened. At the same time, today's state needs to have a much broader perspective on environmental issues and environment protection policy.

"Environmental protection and sustainable development have to be an integral part of mandates of all state bodies. This requires the ecological aspect of the policy to be discussed together with its economic, trade, energetic, agricultural, industrial and any other aspect on the same agenda and in the same national and international institutions. This is the greatest institutional challenge of the nineties".[7]

[6] *Funding Ecological nad Social Destruction: The World Bank and International Monetary Fond*, The Bank Information Center, Washington D.C., pp. 1-31.

[7] *Our Common Future*, World Commision on Environment and Development, New York, Oxford University Press, 1987, p. 313.

The goals of sustainable development must be included as a frame of reference in the work of government and parliament committees involved in the national economic policy and planning as well as those committees involved in the key sectorial and international policies. All these institutions must be directly accountable and make sure da their policy, programs and budgets support a development which is ecologically and economically sustainable. Inspection of the environment and reporting on the environment and natural resources as well as the risks which will be growing even in circumstances of sustainable development, should be added to traditional annual fiscal budgets and economic development programs.

Approach to the calculation of GNP requires significant changes. "GNP calculation represents, no doubt, one of the most significant social inventions of the twentieth century".[8] By calculating GNP per capita the world can be divided into "developed" and "less developed" countries. The purpose of this calculation is to provide an empirical framework for the performance analysis of the macroeconomic system. It includes human capital depreciation but not natural capital depreciation. The new calculation system, which includes natural capital consumption, has prevailed in a number of developed countries: Norway, France, Canada, Japan, Holland, Germany and the USA. Approaches and methodologies vary from country to country, which is why, for the time being, there isn't a unique pattern which could be used by the UN Statistical Office. The system of calculating new investments (new workforce) in relation to natural resources consumption in Indonesia, which was developed by the World Resource Institute is particularly instructive. These changes in the calculation system might significantly contribute to economic analysis and economic policy, which are compatible with sustainable development.

Croatia

Unlike the majority of countries in transition, Croatia is a young state whose establishment was immediately followed by a war. Facing increased uncertainty, the state had insufficient time and resources for institutional design, particularly that compatible with sustainable development, except in the military, police and foreign affairs sectors. Prerequisites for the design of institutions compatible with sustainable development are the following: establishment of democracy, market economy and awareness of all society members of the importance of environmental protection.

Like other formerly socialist countries, Croatia inherited an authoritarian political culture resulting from a relatively long exposure of its citizens to an authoritarian social system. Such a system does not allow individuals to

[8]Robert C. Repetto: "Reform of the National Accounting", in: *Designing Institutions for Sustainable Development: A New Challenge for Poland*, Minneapolis - Bialystok, 1991, pp. 185-201.

involve in any enterprising or independent activity. This results in the absence of civil initiative, which is one of the basic features of democratic processes. The self-management system, which differentiated former Yugoslavia from other communist countries, did not mean much in terms of the impact its citizens had on decision-making processes. Their participation was basically formal, and ultimately lead to a marginal shift from an authoritarian to a democratic system. Consequently, Croatia as well as other post-communist countries has a long way to go before it develops a democracy, with public participation in decision-making processes playing the key role.

Apart from market rhetoric which is being paid lip service throughout the post-communist world, a lot needs to be done in order to meet basic requirements. The prevailing idea of the omnipotent market mechanism, as a mechanism of social choice, does not work in circumstances of an institutional vacuum, Croatia being a case in point. Market has to be fully coordinated with other social institutions, which then leads to socially adequate pricing. In this process the state has to set reasonable parameters for viable capacities and a just distribution, which will restrict the otherwise free play in the market. The market should also take "externalities" (social costs) into account.

As far as the third requirement is concerned - developed awareness throughout the community of the importance of environmental protection - Croatia is far from meeting it. This was tested through establishing value orientations of citizens in the 1990, 1992 and 1995 elections. The importance of environmental protection suggests a post-modernist orientation of the voters. The war has removed Croatia from rational goals, but post-modern orientations were only slightly eroded dropping from 4% in 1990 to 3.2% in 1992, which was followed by a slight rise to 3.5% in 1995.

Besides meeting these requirements, it is essential to institutionalize the goal of sustainable development at all levels of state management.

Institutions are human inventions. They are defined as reproductions of social practice which have their own historical development. "Institutions are structures of intended cooperative human activity repeatedly taking place in the course of time. Their essence lies in spiritual practices, values and actions, or, as put by Tocqueville, in 'habits of the heart'".[9] Institutions always have a history they result from. An adequate understanding of institutions is impossible without the understanding of historical processes which have produced them.

Institutions are a frame of reference for daily performance. At the same time they restrict and enable performance. As restrictions, institutions

[9]Richard S. Bolan: "The Promise and Peril of Institutional Design in Poland", in: *Designing Institutions for Sustainable Development: A New Challenge for Poland*, op. cit., 1991, p. 107 and 300.

are an expression of power. They provide a framework and legitimation for social control and the social system. Institutions create power relationship patterns which define the context of cooperative action. It is the power of the institution that gains recognition for cooperative, interactive common activities. They develop the basis of rights, duties and community status. Institutions imply agreements, protocols, rules, assigned roles. The crucial dimension of institutional intentions is paying a lot of attention to power relationship patterns (hierarchy is increasingly questionable compared to a system of divided power: a system of power balance and control, regardless of the institution - state, economic or any other).

Institutional framework, which insures against arbitrary use of power and its misuse, is crucial in the development of new institutions. At the same time, we must make sure that the configuration of power distribution does not result in power, which might immobilize the society through its weakness. Dialectics of empowerment and restriction is thus the crucial aspect of the task of institutional design.[10]

"New institutions require us to learn a new language and all the language games related to it".[11] Language is essential to the legitimation of institutions. Legitimation depends on the argumentation mode. It can be instrumental and contain causal argumentation or it can be normative, evaluative, with arguments of intuitive, moral nature. Design of new institutions involves tension, potentials for creative progress, but also for social decay. This is why it is essential to allow at least a limited way out on an individual level, demanding change rather than abandoning institutions. Individual's loyalty to institutions, which is expected in any system, is possible only if these options exist.[12]

We should also add monitoring mechanisms as well as punishment mechanisms for deviations from institutional regulations and norms.

Development of new institutions must primarily solve the relationship between authority (empowerment) and responsibility. When designing rules, all kinds of relevant restrictions should be taken into account. In this respect, the design of new institutions was conceived as a process rather than structure, keeping in mind the restrictive and fragile nature of what is being built. Thus, the formulation or rules is more like the formulation of a strategy.

Well-designed institutions include provisions on their transformation, i.e. rules on changing rules. Apart from that, according to Bolan, new institu-

[10]Peter L. Berger, Thomas Luckmann: *The Social Construction of Reality*, Anchor Park Edition, 1967, pp. 54-89.

[11]Richard S. Bolan, op. cit., p. 109.

[12]Hirschman: *Exit, Voice and Loyality: Responses to Decline in Firms, Organizations and States*. Cambridge, MA, Harvard University Press, 1970.

tions should be encouraging in terms of: (a) loyalty - should be guided by the sense of mutual respect, view power distribution as something legitimate, see the needs of every participant as something that has to be taken into account and met to a reasonable extent, acknowledge the possibility of expressing opinions efficiently when necessary, and finally, feel that change is possible; (b) spirit and energy - meaning that efforts will be rewarded not just materially but also psichologically and socially as self-realization in terms of status, power and security; (c) honesty and justice in resolving conflicts, i.e. procedure ruling out arbitrariness; (d) mutual assistance in restrictive circumstances. To expect social action which helps without patronizing, blaming and developing pathological dependence is essential in order to preserve the structure made of loyalty, spirit and energy; (e) ability of individuals to help plan the future - plans imposed by the government are not seen by individuals as their own; and (f) within this framework institutions will continue being efficient and effective.[13]

The design of sustainable development institutions does not start in circumstances of an institutional vacuum. Therefore, it is important to ensure a dialectical balance of tradition and innovation.

At the level of the legitimizing role of institutions, the starting point should be constitutional provisions. Alongside with provisions from Article 3, which suggest that the preservation of justice and environment represents one of the highest values of the constitutional system, another provision should be added - the provision under which the protection of environment and natural resources for generations to come represents a major task of the state, and the President, Prime Minister and the Parliament are supposed to respect this task when performing any of their duties. In order for sustainable development to gain corresponding significance, President's Office should establish the Council for Environmental Protection and Sustainable Development. The President would appoint the members of the Council. Council's role would be to provide assistance to the President as the guardian of sustainable activity, and it should not be restricted to giving opinions and advice. The Council would have to order research, revision of standards, give advice related to appointments and other matters, and provide assistance for other levels of government and the community. One of the Council's responsibilities would be to prepare an annual analysis and opinion regarding sustainable development for the President and the Parliament, and a report on environment quality for the Parliament. The Council would provide the President and the Prime Minister with their opinion regarding the implications of major proposals made by ministries for the environment, natural resources and sustainable development. The highest government bodies would, thus, be responsible for symbolic and actual leadership in sustainable development, which is

[13] Richard S. Bolan, op. cit., p. 116.

important both for the reinforcement of legitimation and a more efficient realization of goals set by sustainable development.

All analyses, opinions and reports submitted to the Parliament contribute to the legitimation of the concept of sustainable development. However, certain institutional changes are also necessary, such as the establishment of a number of subcommittees for individual environmental and developmental issues within the existing Committee for Zoning and Environmental Protection. This would increase the Committee's efficiency and contribute to the expertise of individual Committee members. These subcommittees should include members of other parliamentary committees for intersectorial issues such as energy efficiency, supervision of pesticides, toxic waste, sea pollution, protected areas, trade, foreign trade, investments etc.

The government should submit annual reports on the nation's position regarding sustainable development.

State administration for environmental protection should be ranked higher, as a ministry, in order to coordinate other ministries regarding environmental protection and sustainable development.

That body should establish a comprehensive system of state environmental monitoring and a general inventory of natural resource at national and regional levels. The problem of toxic waste requires institutionalization of its management through the establishment of a special ministry department.

This model of sustainable development institutionalization should extend from the central to regional and local management levels.

One of the most important challenges lies in the institutionalization of the mechanism for resolving conflicts, so that the parties to the conflict are put in the context of cooperative problem solving. Everybody should be entitled to express their interests, and the solution is to be negotiated. Courts should be involved only in extreme cases. Those whose interests are at stake must be involved in finding a peaceful and mutually beneficial solution instead of being imposed solutions by a higher authority.

The challenge of sustainable development institutionalization Croatia is facing is not limited to its state bodies. Is is continued in the area of non-governmental organizations whose role in the realization of Croatian sustainable development and their institutionalization must be supported (legally and financially) by the state.

The same goes for the processes of public participation in decision-making related to environmental protection and sustainable development, which include, but are not restricted to non-governmental organizations.

Suggested scheme of state institutions engaged in sustainable development:

Institutional functions	State institutions
Legitimation	**Constitution:** Purpose and justification of the state President as state leader Parliament
Socialization	**Central:** Ministry of Education Ministry of Health Ministry of Environmental Protection **Local:** Schools Public health service
Realization of goals (Economic/social development)	**Central:** Ministry of Finance Ministry of Economy and Energy Ministry of Agriculture Ministry of Reconstruction and Development Ministry of Environmental Protection Ministry of Foreign Affairs **Local:** zoning, economic development and social health
Regulation/Monitoring	**Central:** Ministry of Environmental Protection Ministry of Health Ministry of Economy and Energy **Regional:** Regional branches and regional centers **Local:** Ombudsman (public attorney)
Integration - conflict management	**Courts** Regional mediation centers Ombudsman (public attorney)